

# The Welfare State

**E**VER since the disintegration of the feudal system, with its elaborate balances of rights and duties as between lord and man, the state has taken some interest in the welfare of the people. The Elizabethan Poor Laws and Speenhamland are well known examples of planned attempts to alleviate poverty. In the early stages of the agricultural and industrial revolutions of the eighteenth and nineteenth centuries, the power of the state was used destructively—to put down trades unions for example. This, after all, was the age of Malthus. However, with the broadening of the democratic base of our government in a series of stages from the Reform Act of 1832 to the full female suffrage of 1929, there came a marked increase in social legislation. It was gradual at first, but by the end of the nineteenth century the creation of social services at public expense had already entered the fields of town planning, factory inspecting, sanitation, and education.

The years immediately preceding the first World War saw a rapid expansion of such activity, with the introduction of non-contributory old age pensions, workmen's compensation, the miners' eight hours, the Sweated Industries Act, health and unemployment insurance. The period since the second World War, following the depressed inter-war conditions, has seen a massive extension of governmental activity into practically every sphere of economic and social life, with the creation of the National Health Service and great increases in the scope and coverage of such services as public housing, pensions, unemployment benefits, maternity benefits, child welfare, family allowances, pensions, education, "free" this and "free" that. Whilst all this was happening, there came nationalisation, town and country planning, and subsidised, protected, and controlled industry and agriculture. The evolution of governmental machinery was complete: the Welfare State had arrived.

Now it is undoubtedly true that on the whole the conditions in which people live, and especially those of what used to be called the lower classes, are better than they were—"we never had it so good" (an expression which shows some failings in our educational system at least). Yet automatically to assume that those improvements were brought about by the creation of the Welfare State is to fall into the logical fallacy of post hoc ergo propter hoc. Nevertheless it seems to me unreasonable to prefer the conditions of the past to those of the present day.

The basis of the Welfare State is the redistribution of income. The rich are taxed to support the poor; the employed are taxed to provide a dole for those without work; the house owners pay rates to subsidise the otherwise homeless; the single man and single woman pay more in taxes to support the married couples and their children.

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*As I See It*

By **DAVID K. MILLS**

One can take objection to this system on three counts. First, it takes a vast and powerful bureaucracy to carry out the administration of the Welfare State. Not only is this costly, but it infringes very gravely on the liberties of the subject. Regimentation denies effective choice. Secondly, there are always likely to be anomalies. For example, many ratepayers are poorer than many of the tenants of council houses whom they are subsidising. Thirdly, the taxation necessary to finance the Welfare State is inevitably high. In fact, the effects of punitive taxes are often the causes of many of the troubles the Welfare State is trying to resolve. Thus purchase tax hits the poor proportionately harder than the rich, as do customs duties. The general extension of government control has led to the unwelcome growth of legalised privilege, such as the possession of a licence from a planning authority, and the whole fabric of controls on production and trade has led to conditions of monopoly or severely restricted competition.

Such conditions have meant higher prices generally, and this has inevitably aggravated the position of those living on low incomes. Worse still have been the effects of the government's failure to meet its expenditure from taxation and borrowings. Making up the difference by printing and using paper money, the government has been consistently devaluing every £ note in circulation, the old age pensioner's as much as the millionaire's. Debasement of the currency has had the further effect of whittling away the value of savings, so that people who might have been able to provide for their retirement have found that they have had to call for National Assistance, and the young couple who thought that they could save the deposit for a house in, say, two years find the sum of money insufficient when the time comes.

**Y**ET, despite all these considerations, the fundamental objection to the Welfare State is not just that it has led to bureaucracy, that it is prone to anomalies, that it has meant high and unfair taxes and a vicious policy of inflation. The basic objection is this: the redistribution of income policy attempts to deal with effects and ignores the causes. The very fact that one attempts to redistribute income presupposes that there continues to be maldistribution in the first place.

The Welfare State is thus seen not as an achievement, but as a great monument to our failure in the mid-twentieth century to solve the problem of primary poverty. We have put a carpet on a dirty floor and pretend that there is no dirt there; we have applied cosmetics to the skin of a child with measles and assume he is well; we have given a bald man a wig and believe he has hair.

If the maldistribution of wealth was inevitable, so that poverty existed by a law of nature, then our present society would be right and noble; but Wealth is created by the application of labour (or labour aided by capital) to natural resources.

Since no man created the earth, it follows that each of us is morally entitled to access to natural resources on equal terms with his fellows. Certainly private property in land cannot be justified from first principles. Now the value of land varies from place to place, and the value of any one site bears a direct relation to its natural advantages and to the man-made advantages which accrue from the presence and general activity of the community as a whole. These land values form a natural and proper source of public revenue, and their collection would mean that whoever occupied a piece of land and had exclusive use of it, would be compensating the rest of us by paying each year to the Exchequer a sum equal to its annual unimproved value.

**S**UCH a policy would mean that we would all be participating equally in the value of land, and it would make possible the removal of existing taxes, all of which fall on goods and earnings. This in itself would be a major achievement, but the consequences go deeper. The amount of land which is available is fixed: one cannot manufacture more of it as one could increase production of potatoes or typewriters. Naturally there is competition for the best sites and private landowners are in a perfect position not only to exact tribute for the mere right to work but also to hold land out of use and speculate on a future increase in values. The landlord thus has a first call on production, and labour and capital can only have what is left.

The destruction of a system which artificially raises land rents, which drives people to poorer sites because so many better ones are for speculative reasons not in use or are inadequately used, must result and would result in a far greater share of production being available as wages and interest. With land monopoly eliminated and the repeal of legislation promoting monopolies and conferring special sectional privileges, a just and free society would be created, one in which the causes of involuntary poverty would have been removed at root.

It remains to add that the ability of the capitalist to exploit the worker depends upon the existence of a land monopoly. Interest rates would be no higher than sufficient to induce people to invest part of their wealth instead of immediately consuming it. Wages, in fact, would rise considerably and they and the things they bought would be tax free.

**J**UST as the Welfare State evolved through the years, so its dismantling would take time. A government bent on establishing a Geogest Society would have to deal with the situation which it inherited. Site values are ascertained and collected, trade is freed, the integrity of the currency is respected, legislation conferring privileges is repealed, but none of these things could be done overnight (although it is not suggested that there should be any foot-dragging).

Even when accomplished, the benefits of the reforms affect largely the rising generation. Those already retired and those nearing the end of their working lives will not always have been able adequately to provide for their

old age, and will in any case have been contributing for years towards a state pension and will rightly expect to draw it. Certain aspects of the Welfare State would consequently have to be continued for many years, although the grosser forms of state benevolence such as subsidies to agriculture and industry could be done away with very quickly indeed.

There is the further consideration that it may be thought generally beneficial to retain some features at least of such social services as public education and the National Health. What is clear, though, is that the Welfare State could only be pared away as the benefits of a libertarian economy came to be felt. That is not only common sense, it is very much practical politics! One should always remember that, whereas the redistribution of income by the State is no substitute for an economy which is just and brings a true distribution in the first place, nevertheless it is a good deal better than attempting nothing at all.

In short, the greatest social services of all are the taxation of land values, free trade, and sound money and I look forward to the day when the Welfare State will give way to a State of Welfare.

## Archimedes

### Twark Main or Mark Twain?

Some readers have expressed doubts about the authorship of the article attributed to Mark Twain which we published last month. The article was published under the nom-de-plume, "Twark Main" in *The Twainian* (November-December 1953 issue) journal of the Mark Twain Research Foundation. It was introduced as follows:

"Our valued member Caroline Harnsberger [author of] 'Mark Twain at Your Finger Tips', further adds her contribution to our knowledge about Twain in sending in this article. That her finding may be an inspiration to other researchers, she tells it in this way. 'Mr. Noah D. Alper of the Henry George School of Social Science in St. Louis found a paper in the school files entitled 'The Story of Archimedes'. It had been type-written years ago and by-lined Mark Twain, but no one knew where it came from. Mr. Alper called Wesley Delaney in St. Louis who referred him to me. The three of us went to work then, to try to discover whether Twain and Henry George were friends. If so, then Twain had undoubtedly written an article or two for his friend's paper, *The Standard*."

"I went to New York to the main Public Library and began searching through the microfilm of *The Standard* from the first issue, January 8, 1887, to August 1892 when it was discontinued.

"I was rewarded by finding the Archimedes article in the July 27, 1889 issue. It was twice as long as the typewritten copy of Mr. Alper."

The article was subsequently printed in *The Henry George News*, New York.

Mr. Noah D. Alper writes:

"The odd arrangement of Mark Twain's name did not disturb these people since they knew he often wrote pieces and signed odd names or made such distortions. Later I happened to meet Cyril Clemens, editor of the *Mark Twain Journal*, a local publication, and I asked him if he knew of this piece by Mark Twain. He said that he did not but would like to have a copy. I sent it to him. Acknowledging it he wrote: 'It is Mark Twain at his best!'"

If, despite this, the article comes from some other pen, we offer apologies to all concerned. In any event, as readers will agree, it is a fine piece of propaganda.

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